

Message Text

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PAGE 01 NEW DE 04658 230423 Z

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ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 L-03 TRSE-00 SS-15 NSC-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3897

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E. O. 11652: N/ A

TAGS: ETRN IN

SUBJECT: CIVAIR: DISCRIMINATORY FOREIGN EXCHANGE REGULATION

REF: A) STATE 61465; B) NEW DELHI 3657

BEGIN SUMMARY: INDIAN OFFICIAL SAYS NO NEW DISCRIMINATORY MEASURES INTRODUCED RESPECTING GROUP AIR TRAVEL. EFFECT OF REGULATIONS ALREADY IN FORCE, HOWEVER, IS TO BAR FOREIGN CARRIERS FROM ORGANIZING TOURS. MEANWHILE AIR INDIA ANNOUNCES SERIES OF GROUP TOURS TO EUROPE. END SUMMARY

1. EMBOFF CALLED ON MINISTRY OF FINANCE DEPUTY SECRETARY V. U. ERADI ON APRIL 6 TO SOLICIT INFORMATION ON RESERVE BANK OF INDIA DISCRIMINATION AGAINST FOREIGN AIR CARRIERS PER TWA REPORT REF B. ERADI SAID THERE IS NO NEW REGULATION OR PROCEDURE IN FORCE, BUT THAT \$100 FOREIGN EXCHANGE ENTITLEMENT OF AIR INDIA PASSENGERS (COMPARED TO \$8 AVAILABLE TO FOREIGN CARRIER PASSENGERS) GIVES AIR INDIA SAME ADVANTAGE IN GROUP TRAVEL SCHEMES AS IT DOES IN TRAVEL OF INDIVIDUALS.

2. HE SAID THAT ALL AIRLINES ARE ENTITLED UNDER RESERVE BANK REGULATIONS TO OBTAIN MISCELLANEOUS CHARGES ORDERS (MCO' S) FOR GROUND TRANSPORTATION OF PASSENGERS ABROAD, BUT THAT REGULATION LIMITS THIS STRICTLY TO ACTUAL COST OF

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PAGE 02 NEW DE 04658 230423 Z

TRANSPORTATION BETWEEN POINTS NOT COVERED BY TRANSPORTATION SERVICE USED IN LEAVING INDIA. COST OF LODGING, MEALS, SIGHTSEEING, ETC., ARE NOT CHARGEABLE TO MCO.

3. WITH ALL AIRLINES GOVERNED BY SAME RULE ON MCO'S ERADI IMPLIED THAT RBI CONSIDERS THAT THE \$100 FOREIGN EXCHANGE AVAILABLE TO AIR INDIA PASSENGERS COVERS LODGING, MEALS, SIGHTSEEING, AND INCIDENTAL EXPENSES OF GROUP TRAVELER. AVAILABILITY OF ONLY \$8 HARD CURRENCY TO AN INDIAN PASSENGER ON FOREIGN CARRIER IN EFFECT RULES OUT POSSIBILITY OF FOREIGN CARRIER ORGANIZING GROUP TOUR OF INDIAN RESIDENTS.

4. IN RELATED DEVELOPMENT, GROUP OF FIVE TRAVEL AGENTS INCLUDING AMERICAN EXPRESS HAVE ANNOUNCED 21- DAY TOUR OF EUROPE ON AIR INDIA FOR ALL- INCLUSIVE FARE OF RS. 7330 (\$977). FIVE SUCH TOURS ARE ADVERTISED, WITH DEPARTURES FROM BOMBAY MAY 13, MAY 27, JUNE 10, JUNE 17, AND JULY 1 AND FROM DELHI ON THE EVENING PREVIOUS. UNDER REGULATIONS, EQUIVALENT OF \$100 OF RUPEE FARE WOULD COVER LODGING, MEALS AND INCIDENTALS FOR 21 DAYS, WHILE REMAINING \$877 EQUIVALENT COULD ONLY BE APPLIED TOWARD AIR FARE AND SURFACE TRANSPORTATION. FOOD AND LODGING FOR UNDER \$5 A DAY IN 1973 EUROPE COULD CAUSE EVEN THE TRUSTING TO SUSPECT THAT AIR INDIA MIGHT BE LOSING SOME MONEY ON THIS PART OF THE OPERATION AND MAKING IT UP SOMEWHERE ELSE. WITH \$100 TO WORK WITH, HOWEVER, THE GAP BETWEEN ACTUAL COST OF FOOD AND LODGING AND AUTHORIZED FUNDS IS CONSIDERABLY SMALLER FOR AIR INDIA THAN FOR THE COMPETITION.

5. PAN AM STATION MANAGER ART REPPUN SAYS PAN AM EARLIER HAD PROPOSED THAT THEY SPLIT THIS TOUR BUSINESS WITH AIR INDIA, SUGGESTING THAT PAN AM CARRY TOUR PASSENGERS ONE WAY, AIR INDIA THE OTHER. AIR INDIA REJECTED PROPOSAL.

6. EMBASSY SEES LITTLE HOPE OF BREAKING AIR INDIA MONOPOLY ON GROUP TOURS FROM INDIA AS LONG AS RBI LIMITS TO \$8 AMOUNT OF FOREIGN EXCHANGE NON- AIR INDIA PASSENGER CAN SPEND ON LODGING AND FOOD ABROAD. TO DATE, US CARRIERS HAVE NOT INDICATED HOW, IF AT ALL, THEY INTEND TO PROCEED. EMBASSY WILL REPORT ANY FURTHER DEVELOPMENTS.
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PAGE 03 NEW DE 04658 230423 Z

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